

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6055

BILL NUMBER: HB 1153

NOTE PREPARED: Oct 21, 2008

BILL AMENDED:

SUBJECT: Volunteer Firefighter Tax Deduction.

FIRST AUTHOR: Rep. Battles

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT:

Summary of Legislation: The bill provides an individual income tax deduction of up to \$2,000 for a volunteer firefighter.

Effective Date: January 1, 2010.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The DOR will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new deduction for volunteer firefighters. The Department's current level of resources should be sufficient to implement this change.

Explanation of State Revenues: *Summary* - The bill would reduce state Adjusted Gross Income (AGI) Tax liabilities of individual taxpayers who receive income for service provided as a volunteer firefighter beginning in tax year 2010. If all volunteer firefighters claimed the maximum allowable deduction, the revenue loss would total about \$1.1 M in FY 2011 (for deductions claimed on tax year 2010 tax returns) and about \$1.4 M annually thereafter. Revenue from the individual AGI tax is deposited in the state General Fund.

Background Information - The bill provides a deduction from taxable income for the first \$2,000 of income received by an individual taxpayer for service during the year as a volunteer firefighter. It is estimated that there are about 20,000 volunteer firefighters in Indiana; however, the number receiving income for this services is unknown.

The bill provides that the deduction does not apply to income the taxpayer excludes from federal AGI for benefits received during the year as a volunteer firefighter under provisions of the federal Mortgage

Forgiveness Debt Relief Act of 2007 (P.L. 110-142). The Mortgage Forgiveness Debt Relief Act established a temporary exclusion from federal AGI for benefits paid to volunteer firefighters and EMS personnel. The exclusion is effective beginning in 2008 and expires at the end of 2010. The exclusion is limited to \$360 per year per volunteer firefighter or EMT. This exclusion was adopted under HEA 1125-2008 for purposes of computing Indiana AGI. Thus, the maximum allowable deduction a volunteer firefighter could claim under this bill would be \$1,640 in 2010 while the federal exclusion is still in effect. Beginning in 2011, the maximum allowable deduction would be \$2,000.

Explanation of Local Expenditures:

Explanation of Local Revenues: Because the new deduction for volunteer firefighters would serve to decrease taxable income, counties imposing local option income taxes could potentially experience a minimal decrease in revenue from these taxes.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: Counties with local option income taxes.

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